



Hotel Management Company Selection and Contract Negotiation

Properly selecting a hotel management company and negotiating a management contract are vital to achieving optimum investment return and asset value. With a myriad of hotel brands and products in the market, the task of choosing an appropriate management company has become an increasingly complex challenge for even the most experienced hotel owners and developers.

Horwath HTL has experience with all major regional and international hotel management companies. We understand management company branding, qualifications and capabilities, contractual options and positions, management contract formats, operator fees and performance criteria, and systems to oversee and reward operator performance. On behalf of owners, we employ a systematic approach for placing the hotel management contract opportunity to tender. This process streamlines the complex process and maximizes the benefit for the property owner.

Specifically, we provide expert, qualitative assessments on:

1. the reputation with the public as well as other owners and lending institutions;
2. the appropriateness of the brands for the property;
3. the scope of their regional and international operations and sales & marketing systems;
4. the services offered;
5. their ability to maximize performance and cash flows;
6. their likely flexibility in negotiating specific contract provisions; and
7. their perceived sensitivity and responsiveness to the goals of owners and developers.



More importantly, we provide an informed review of the key commercial contract terms and can negotiate a successful contract conclusion on behalf of or in support of owners. Understanding that many commercial terms have far reaching implications beyond the management fee structure, we benchmark the contracts according to established industry standards.

Examples of management contract issues covered include:

1. control over important areas of the management of the hotel including budgets, capital expenditure, appointment of key managers, and renovations;
2. the flexibility to liquidate investments in the property;
3. performance objectives to be met by the operator;
4. term of the contract, including renewal and termination;
5. technical services and fees;
6. corporate marketing and service expenditure requirements; and
7. equity and/or loan requirements, etc.